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CMS Approves North Carolina's Innovative Medicaid Demonstration To Help Improve Health Outcomes

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At CMS we are working with states to make Medicaid a stronger and more sustainable program that delivers better results on behalf of its 75 million beneficiaries and the American taxpayers. This is a critical

objective given the program's goal of serving the health needs of our nation's most vulnerable populations, including children, pregnant mothers, people with disabilities, and the elderly.

But too often states have been stymied by outdated regulations and rigid federal rules in their efforts to find creative new ways to deliver better care. That's why we believe that the best thing that CMS can do is create a fertile ground for states to fulfill their role as the laboratories of innovation in Medicaid policy. To do this, we've expanded opportunities for states to seek demonstrations to test new and exciting reforms. Today, I'm pleased to announce another example of that commitment through our approval of [North Carolina's innovative Medicaid reform demonstration](#).

Through this demonstration, North Carolina will shift their program toward one that delivers better value with a more predictable budget through the transition from fee-for-service to a managed care delivery system. Leveraging best practices and the experiences of other states, this demonstration will allow the state to partner with health plans to target and better coordinate care for high-need Medicaid populations, including plans for beneficiaries with behavioral health, intellectual and developmental disabilities diagnoses, and specialized plans for current and former foster care youth.

The North Carolina demonstration will also allow the state and CMS to test innovative new approaches to address a broader range of issues that can have a direct impact on an individual's health. We know that behaviors and other determinants of health – like where we work, live, learn, and grow – are all factors in our overall health and wellbeing. As we seek to create a health care system that truly rewards value, we must consider the impact that factors beyond medical care have in driving up health costs. That's why many states are beginning to think

about ways to better address the root cause of chronic illness. As part of this demonstration, North Carolina will implement a groundbreaking program in select regions to pilot evidence-based interventions addressing issues like housing instability, transportation insecurity, food security, and interpersonal violence and toxic stress.

More specifically, the state will pilot enhanced case management (ECM) services based on evidence-based interventions for individuals with certain diagnoses and risk factors, all with the goal to improve health outcomes and lower costs. In the pilot regions, health plans will identify and target populations of high-need Medicaid beneficiaries and determine a specific package of services tailored to that individual's need. Health plans will work with local organizations to deliver these tailored case management and support services through a network of qualified providers.

North Carolina is the first state in the country to embed a program like the ECM pilots into its Medicaid managed care delivery system. We've worked with the state to design the program in a way that will ensure that there is strong accountability for this investment. Over the course of the five year demonstration, North Carolina will increasingly link payment for ECM pilot services to outcomes as we collect and analyze data to understand which interventions are having the anticipated impact on outcomes and costs. What will begin with financial incentives for meeting certain target metrics in the early years, will evolve toward financial withholds for exceeding utilization targets and shared savings for achieving reductions in the total cost of care.

As with all demonstrations, this will be an important opportunity to test new ways of delivering services that needs to be thoroughly evaluated. We will hold North Carolina accountable by tracking their progress and ensuring they meet reporting requirements throughout the pilot.

Additionally, North Carolina will conduct rapid cycle assessments (RCAs) that will provide timely information on service effectiveness, allowing the state to discontinue low-effectiveness services and redeploy resources to more valuable strategies. I am excited to follow this closely and to see the results, which will serve as an important learning opportunity for all states.

We are committed to collaborating with states like North Carolina, and the many others whom we've approved demonstrations for already, and I appreciate our continued partnerships.

While states have different ideas and approaches to serving the needs of their beneficiaries, we can all agree that one of our prominent goals should be to help individuals live healthier more complete lives by addressing the whole human need. We should keep exploring ways to achieve this goal so that we can identify best practices and replicate them.

Ultimately, the best ideas, attuned to the distinct needs of local communities, come from those communities – not from Washington, D.C. That's true too for North Carolina, and I look forward to continuing our work together so that state innovation, like what we've approved today, drives improvements in services and outcomes.

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